

VILLAGE OF CARO

REPORT ON FINANCIAL STATEMENTS
(With Additional Information)

June 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>Village of Caro</u>	County <u>Tuscola</u>
Audit Date <u>6-30-04</u>	Opinion Date <u>9-4-04</u>	Date Accountant Report Submitted to State: <u>11-30-04</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <u>Andersen, Tuckey, Bernhardt & Doran, P.C.</u>			
Street Address <u>715 E. Frank St.</u>		City <u>Caro</u>	State <u>MI</u>
Accountant Signature <u>James Doran CPA</u>		ZIP <u>48723</u>	Date <u>11-30-04</u>

TABLE OF CONTENTS

PAGE NUMBER

INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

I - V

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Statement of Net Assets 1

Statement of Activities 2

Fund Financial Statements

Balance Sheet - Governmental Funds 3

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets 4

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance 5 - 6

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities 7

Notes to the Financial Statements 8 - 19

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule - General Fund 20

Budgetary Comparison Schedule - Major Street & Trunkline 21

Budgetary Comparison Schedule - Local Street Fund 22

Budgetary Comparison Schedule - Refuse/Sanitation Fund 23

ADDITIONAL INFORMATION

Nonmajor Governmental Fund Types:

Combining Balance Sheet 24

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 25

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual 26

TABLE OF CONTENTS (Continued)

	<u>PAGE NUMBER</u>
Special Revenue Funds	
Combining Balance Sheet	27 - 28
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	29 - 30
Major Street and Trunkline Fund - Statement of Revenues, Expenditures and Changes in Fund Balance	31
Local Street Fund - Statement of Revenues, Expenditures and Changes in Fund Balance	32
Municipal Street Fund - Statement of Revenues, Expenditures and Changes in Fund Balance	33
Refuse/Sanitation Fund - Statement of Revenues, Expenditures and Changes in Fund Balance	34
Drug Forfeiture Fund - Statement of Revenues, Expenditures and Changes in Fund Balance	35
Fire Fund - Statement of Revenues, Expenditures and Changes in Fund Balance	36
Debt Service Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances	37
Enterprise Funds	
Combining Balance Sheet	38
Combining Statement of Revenue, Expenses and Change in Retained Earnings	39
Combining Statement of Cash Flows	40
Governmental Component Units	
Balance Sheet	41
Statement of Revenue, Expenditures and Change in Fund Balance	42
General Fund - Schedule of Revenue	43
General Fund - Schedule of Expenditures	44 - 47
Water Fund - Comparative Statements of Revenue, Expenses and Change in Retained Earnings	48
Sewage Disposal Fund - Comparative Statements of Revenue, Expenses and Change in Retained Earnings	49
Major Street and Trunkline and Local Street Funds – Schedule of Expenditures	50 - 51
Pension Plan - Required Supplemental Information	52

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

September 4, 2004

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

REPORT OF INDEPENDENT AUDITORS

Honorable Village Council
Village of Caro
Caro, Michigan 48723

We have audited the accompanying basic financial statements of the Village of Caro, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Village of Caro, as of June 30, 2004, and the results of its operations and cash flow of its proprietary and similar nonexpendable trust funds for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the Village of Caro has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments as of June 30, 2004.

The management's discussion and analysis on pages I through V and budgetary comparison information on pages 20 - 23 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Caro's basic financial statements. The additional information on pages 24 and thereafter is presented for the purpose of additional information and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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VILLAGE OF CARO, MICHIGAN

Management's Discussion and Analysis

Our discussion and analysis of the Village of Caro's financial performance provides an overview of the Village's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the Village's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2004:

- The fund balance in the General Fund decreased from \$771,748 to \$727,096. This decrease resulted from overall revenues falling short of budget projections.
- State-shared revenue, the Village's second largest General Fund revenue source, was reduced by the State of Michigan by \$13,834 representing a 3% decrease from the prior fiscal year. However, the \$482,804 received from the State of Michigan was above the budgeted projection by \$30,804. The Village decreased its fund balance to accommodate these shortfalls.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds.

VILLAGE OF CARO, MICHIGAN

Management's Discussion and Analysis

The Village as a Whole

The following table shows, in a condensed format, the net assets as of the current date:

	Governmental Activities	Business-Type Activities	Component Unit	Total
Current assets	\$ 1,891,076	\$ 821,625	\$ 220,302	\$ 2,933,003
Noncurrent assets	6,305,559	9,597,586	1,530,778	17,433,923
Total assets	8,196,635	10,419,211	1,751,080	20,366,926
Current liabilities	271,150	237,849	75,511	584,510
Long-term liabilities	453,975	2,005,759	874,971	3,334,705
Total liabilities	725,125	2,243,608	950,482	3,919,215
Net assets:				
Invested in capital assets -				
Net of related debt	5,806,246	-	580,770	6,387,016
Contributed capital	92,285	5,672,439	-	5,764,724
Restricted	311	-	-	311
Unrestricted (deficit)	1,572,668	2,503,164	219,828	4,295,660
Total net assets	<u>\$ 7,471,510</u>	<u>\$ 8,175,603</u>	<u>\$ 800,598</u>	<u>\$ 16,447,711</u>

The Village's combined net assets increased from a year ago to \$16,447,711.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations ended the fiscal year with a balance of \$1,572,668 in the governmental activities.

VILLAGE OF CARO, MICHIGAN

Management's Discussion and Analysis

The following table shows the changes of the net assets during the current year:

	Governmental Activities	Business-Type Activities	Component Unit	Total
Net Assets - Beginning of year - (as adjusted)	\$ 6,724,741	\$ 8,062,254	\$ 810,161	\$15,597,156
Revenue				
Program revenue:				
Charges for services	926,157	1,382,095	23,600	2,331,852
Operating grants and contributions	909,248	-	47,541	956,789
General revenue:				
Property taxes	1,299,623	-	172,081	1,471,704
Intergovernmental revenue	800,708	-	-	800,708
Investment earnings	11,675	4,405	-	16,080
Miscellaneous	99,624	10,136	48,848	158,608
Net transfers	46,820	-	(46,820)	-
Total revenue	4,093,855	1,396,636	245,250	5,735,741
Program Expenses				
General government	282,869			282,869
Road maintenance and repair	1,510,512			1,510,512
Health and sanitation	346,674			346,674
Public safety	702,327			702,327
Public works	31,905	1,283,287		1,315,192
Culture and recreation	172,585			172,585
Community development	28,112		254,813	282,925
Depreciation	210,170			210,170
Interest on long-term debt	61,932			61,932
Total expenses	3,347,086	1,283,287	254,813	4,885,186
Change in Net Assets	746,769	113,349	(9,563)	850,555
Net Assets - End of Year	\$ 7,471,510	\$ 8,175,603	\$ 800,598	\$16,447,711

Governmental Activities

As this is the first year of implementation for GASB No. 34, comparative information on a government-wide basis is not available for the year ended June 30, 2004. Comparative information will be presented in the Management's Discussion and Analysis for the period ending June 30, 2005. In the current year, comparative information will be discussed for the fund financial statements only.

Business-type Activities

The Village's business-type activities consist of the Water and Sewer Funds. The Village provides water to residents from seven ground water wells. Sewage treatment is provided through a Village-owned and operated sewage treatment plant.

The Water Fund had a net income of \$142,368, and its cash flow increased by over \$142,000. Revenues for the fund were up about 5%.

The Sewer Fund had a loss of \$29,019 on revenues of \$697,028. Revenues were down from the prior year due to decreased activity by Michigan Ethanol and the \$128,000 refund of overpayment to them. Cash flow for the Sewer Fund decreased \$89,000 due mainly to increasing capital expenditures.

Management implemented increased sewer rates in April, 2004 which will be reflected in next year's operations. A water rate study is planned for late this year.

The Village's Funds

Our analysis of the Village's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for the current year include the General, Major Street and Trunkline, Local Street and Refuse Funds.

The General Fund pays for most of the Village's governmental services. The most significant are Public Safety and Public Works and Recreation, which incurred expenses of approximately \$1.2 million in the current fiscal year. These costs and the remaining \$460,000 cost of the other General Fund departments are funded by real and personal property taxes other general revenue sources of the General Fund.

General Fund Budgetary Highlights

Overall, revenues in the General Fund fell short of budget by \$50,000. This is primarily due to recreation grants and donations that didn't materialize.

Village departmental expenses in the General Fund overall spent less than budget projections by \$135,000.

Capital Asset and Debt Administration

As of June 30, 2004, the Village had a total of approximately \$17.4 million (net of depreciation) invested in a broad range of capital assets, including roads, buildings, equipment, and water and sewer lines.

Debt service makes up approximately 1% of the total governmental expenditures. Bonded and other long-term obligations were reduced by approximately \$314,000.

More detailed information concerning capital assets and long-term debt can be found in Notes 4 and 7, respectively, in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Village's M-81 project is expected to be concluded in November, 2004. The total estimated cost is \$4.8 million with the federal and state governments contributing approximately 67% and 15% respectively.

Improvements to the wastewater treatment plan are on the horizon with a project to remove arsenic from the water being implemented. In addition, due to the age of the facility, increased annual capital expenditures are expected.

A used fire truck was purchased at a total cost of \$186,000 after renovations and upgrades. The cost was partially offset by outside donations and grants of about \$54,000. Bonds totaling \$125,000 were issued to finance the purchase.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village's office.

BASIC FINANCIAL STATEMENTS

VILLAGE OF CARO
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Primary Government			Reporting Entity
	Governmental Activities	Business-type Activities	Total	Component Unit Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,560,845	\$ 647,816	\$ 2,208,661	\$ 220,302 \$ 2,428,963
Receivables (net)	210,839	147,460	358,299	- 358,299
Internal balances	48,900	(48,900)	-	-
Inventories		36,394	36,394	36,394
Prepaid interest		38,855	38,855	38,855
Prepaid expenses	70,492		70,492	70,492
Total current assets	1,891,076	821,625	2,712,701	220,302 2,933,003
Noncurrent assets:				
Capital assets, net of depreciation	4,249,274	8,958,623	13,207,897	1,297,592 14,505,489
Land	1,870,980	116,173	1,987,153	233,186 2,220,339
Construction in progress	185,305	522,790	708,095	- 708,095
Total noncurrent assets	6,305,559	9,597,586	15,903,145	1,530,778 17,433,923
TOTAL ASSETS	\$ 8,196,635	\$ 10,419,211	\$ 18,615,846	\$ 1,751,080 \$ 20,366,926
LIABILITIES				
Current liabilities:				
Accounts payable, accrued & other liabilities	\$ 79,380	\$ 32,914	\$ 112,294	\$ 474 \$ 112,768
Accrued interest payable	2,775	19,726	22,501	10,523 33,024
Deferred revenue	63,995	-	63,995	- 63,995
Current maturities of long-term debt	125,000	185,209	310,209	64,514 374,723
Total current liabilities	271,150	237,849	508,999	75,511 584,510
Noncurrent liabilities:				
Noncurrent portion of long-term debt	374,313	2,005,759	2,380,072	874,971 3,255,043
Accumulated compensated absences	79,662		79,662	- 79,662
Total noncurrent liabilities	453,975	2,005,759	2,459,734	874,971 3,334,705
TOTAL LIABILITIES	725,125	2,243,608	2,968,733	950,482 3,919,215
NET ASSETS				
Invested in capital assets, net of related debt	5,806,246		5,806,246	580,770 6,387,016
Contributed capital	92,285	5,672,439	5,764,724	- 5,764,724
Restricted for:				
Capital projects			-	-
Debt service	311		311	311
Unrestricted	1,572,668	2,503,164	4,075,832	219,828 4,295,660
TOTAL NET ASSETS	7,471,510	8,175,603	15,647,113	800,598 16,447,711
TOTAL LIABILITIES AND NET ASSETS	\$ 8,196,635	\$ 10,419,211	\$ 18,615,846	\$ 1,751,080 \$ 20,366,926

The accompanying footnotes are an integral part of the financial statements.

VILLAGE OF CARO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues			Net (Expenses) Revenues			Reporting Entity
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit	
				Governmental Activities	Business-type Activities		
Primary Government							
Governmental activities:							
General government	\$	282,869		\$	-	\$	\$ (82,300)
Road maintenance and repair		1,510,512	909,248		-		(601,264)
Health and sanitation		346,674			-		(1,812)
Public safety		702,327			-		(335,805)
Public works		31,905			-		(30,472)
Culture and recreation		172,585			-		(159,814)
Community development		28,112			-		(28,112)
Depreciation		210,170			-		(210,170)
Interest on long-term debt		61,932			-		(61,932)
Total governmental activities		3,347,086	909,248		-		(1,511,681)
Business-type activities:							
Water		557,168			135,979		135,979
Sewage disposal		726,119			(37,171)		(37,171)
Total primary government		4,630,373	909,248		98,808		(1,412,873)
Component unit							
Downtown Development Authority		254,813	\$ 47,541			\$ (183,672)	(183,672)
General revenues:							
Taxes:							
Property taxes, levied for general purposes				950,260		950,260	1,122,341
Property taxes, levied for streets and sanitation purposes				349,363		349,363	349,363
Intergovernmental revenue				800,708		800,708	800,708
Investment earnings				11,675	4,405	16,080	16,080
Miscellaneous				99,624	10,136	109,760	158,608
Net transfers				46,820	-	46,820	-
Total general revenues and transfers				2,258,450	14,541	2,272,991	2,447,100
Change in net assets				746,769	113,349	860,118	850,555
Net assets - beginning				6,724,741	8,062,254	14,786,995	15,597,156
Net assets - ending				\$ 7,471,510	\$ 8,175,603	\$ 15,647,113	16,447,711

The accompanying footnotes are an integral part of the financial statements.

VILLAGE OF CARO
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	<u>GENERAL</u>	<u>MAJOR STREET & TRUNKLINE</u>	<u>LOCAL STREET</u>	<u>REFUSE/ SANITATION</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>						
Cash	\$ 639,071	\$ 303,332	\$ 69,854	\$ 144,297	\$ 175,426	\$ 1,331,980
Accounts receivable	64,493	36,790	15,734	28,357	24,682	170,056
Taxes receivable	3,938	-	-	152	827	4,917
Due from other funds					-	-
Prepaid expenses	70,492					70,492
Notes receivable	44,916					44,916
Allowance for uncollectible accounts	(9,050)					(9,050)
TOTAL ASSETS	<u>\$ 813,860</u>	<u>\$ 340,122</u>	<u>\$ 85,588</u>	<u>\$ 172,806</u>	<u>\$ 200,935</u>	<u>\$ 1,613,311</u>
<u>LIABILITIES & FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 65,013	\$ -	\$ -	\$ 63	\$ 3,092	\$ 68,168
Accrued salaries & wages	4,959	1,587	1,213	524	1,415	9,698
Due to other funds	-				-	-
Deferred revenue	16,792				47,203	63,995
Total Liabilities	<u>86,764</u>	<u>1,587</u>	<u>1,213</u>	<u>587</u>	<u>51,710</u>	<u>141,861</u>
Fund Balances:						
Reserved for:						
Debt service					311	311
Unreserved, reported in:						
General fund	637,431					637,431
Designated for community promotion	89,665					89,665
Special revenue funds		338,535	84,375	172,219	148,914	744,043
Total Fund Balances	<u>727,096</u>	<u>338,535</u>	<u>84,375</u>	<u>172,219</u>	<u>149,225</u>	<u>1,471,450</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 813,860</u>	<u>\$ 340,122</u>	<u>\$ 85,588</u>	<u>\$ 172,806</u>	<u>\$ 200,935</u>	<u>\$ 1,613,311</u>

The accompanying footnotes are an integral part of the financial statements.

VILLAGE OF CARO
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET and
STATEMENT OF NET ASSETS
June 30, 2004

	Modified Accrual Basis	Reconciling Items			Full Accrual Basis
	TOTAL GOVERNMENTAL FUNDS	CAPITAL ASSETS & LONG TERM DEBT	COMPENSATED ABSENCES	INTERNAL SERVICE FUNDS	TOTAL
ASSETS					
Cash	\$ 1,331,980			\$ 228,865	\$ 1,560,845
Accounts receivable	170,056				170,056
Taxes receivable	4,917				4,917
Notes receivable	44,916				44,916
Allowance for uncollectible accounts	(9,050)				(9,050)
Due from other funds	-			48,900	48,900
Prepaid expenses	70,492				70,492
Total Current Assets	1,613,311	-	-	277,765	1,891,076
Construction in progress		\$ 185,305			185,305
Capital assets:					
Land		1,870,980			1,870,980
Depreciable capital assets		5,124,743		892,416	6,017,159
Less: Accumulated Depreciation		(1,214,086)		(553,799)	(1,767,885)
Total Non-Current Assets	-	5,781,637	-	338,617	6,120,254
TOTAL ASSETS	\$ 1,613,311	\$ 5,966,942	\$ -	\$ 616,382	\$ 8,196,635
LIABILITIES & FUND BALANCES					
Liabilities:					
Accounts payable	\$ 68,168			\$ 120	\$ 68,288
Accrued salaries & wages	9,698			1,394	11,092
Accrued interest payable		\$ 2,775			2,775
Due to other funds	-				-
Current maturities of long-term debt		125,000			125,000
Deferred revenue	63,995				63,995
Bonds payable - long term		240,087			240,087
Notes payable - long-term		134,226			134,226
Accumulated compensated absences			79,662		79,662
Total Liabilities	141,861	502,088	79,662	1,514	725,125
Fund Balances:					
Contributed capital					
Reserved for:				92,285	92,285
Debt service	311				311
Unreserved	1,471,139	5,464,854	(79,662)	522,583	7,378,914
Total Fund Balances/Net Assets	1,471,450	5,464,854	(79,662)	614,868	7,471,510
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,613,311	\$ 5,966,942	\$ -	\$ 616,382	\$ 8,196,635

The accompanying footnotes are an integral part of the financial statements.

VILLAGE OF CARO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL UNITS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>GENERAL</u>	<u>MAJOR STREET & TRUNKLINE</u>	<u>LOCAL STREET</u>	<u>REFUSE/ SANITATION</u>
REVENUES:				
Taxes	\$ 950,260	\$ 76,197	\$ 37,915	\$ 36,412
Licenses & permits	5,240			
Intergovernmental revenue:				
Federal	-	-	-	-
State	482,804	1,141,490	85,662	-
Charges for services	218,498	-	-	344,862
Fines & forfeitures	6,604			
Miscellaneous	<u>21,990</u>	<u>4,749</u>	<u>13,780</u>	<u>1,395</u>
TOTAL REVENUE	<u>1,685,396</u>	<u>1,222,436</u>	<u>137,357</u>	<u>382,669</u>
EXPENDITURES:				
Legislative	16,289			
Elections	2,010			
Executive	120,468			
Treasurer	55,846			
Industrial Park	23,114			
Village buildings & grounds	154,159			
Historical Center	11,494			
Police department	669,753			
Planning & zoning	60,289			
Fire dept.				
Public works department	181,905			
Refuse department				346,674
Recreation department	172,585			
Community promotion	28,112			
Streets		1,383,029	344,709	
Miscellaneous				
Debt Service:				
Principal	125,780			
Interest	<u>18,870</u>			
TOTAL EXPENDITURES	<u>1,640,674</u>	<u>1,383,029</u>	<u>344,709</u>	<u>346,674</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>44,722</u>	<u>(160,593)</u>	<u>(207,352)</u>	<u>35,995</u>
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	100,964	-	-
Sale of assets	-			
Operating transfers in	25,544	5,891	229,400	-
Operating transfers out	<u>(114,918)</u>	<u>(49,400)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(89,374)</u>	<u>57,455</u>	<u>229,400</u>	<u>-</u>
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>(44,652)</u>	<u>(103,138)</u>	<u>22,048</u>	<u>35,995</u>
FUND BALANCE - JULY 1	<u>771,748</u>	<u>441,673</u>	<u>62,327</u>	<u>136,224</u>
FUND BALANCE - JUNE 30	<u>\$ 727,096</u>	<u>\$ 338,535</u>	<u>\$ 84,375</u>	<u>\$ 172,219</u>

The accompanying footnotes are an integral part of the financial statements.

OTHER GOVERNMENTAL FUNDS	TOTALS (MEMORANDUM ONLY)		TOTALS (MEMORANDUM ONLY)	
	PRIMARY GOVERNMENT	COMPONENT UNITS	JUNE 30, 2004	
\$ 198,839	\$ 1,299,623	\$ 172,081	\$ 1,471,704	
	5,240		5,240	
	-		-	
	-	47,541	47,541	
	1,709,956	23,600	1,733,556	
90,174	653,534		653,534	
	6,604		6,604	
57,541	99,455	48,848	148,303	
346,554	3,774,412	292,070	4,066,482	
	16,289	-	16,289	
	2,010	-	2,010	
	120,468	-	120,468	
	55,846	-	55,846	
	23,114	-	23,114	
	154,159	-	154,159	
	11,494	-	11,494	
	669,753	-	669,753	
	60,289	-	60,289	
349,264	349,264	-	349,264	
	181,905	-	181,905	
	346,674	-	346,674	
	172,585	-	172,585	
	28,112	-	28,112	
68,079	1,795,817	-	1,795,817	
-	-	249,298	249,298	
109,913	235,693	5,515	241,208	
43,400	62,270	-	62,270	
570,656	4,285,742	254,813	4,540,555	
(224,102)	(511,330)	37,257	(474,073)	
180,000	280,964	-	280,964	
	-	-	-	
218,231	479,066	50,000	529,066	
(267,928)	(432,246)	(96,820)	(529,066)	
130,303	327,784	(46,820)	280,964	
(93,799)	(183,546)	(9,563)	(193,109)	
243,024	1,654,996	229,391	1,884,387	
\$ 149,225	\$ 1,471,450	\$ 219,828	\$ 1,691,278	

VILLAGE OF CARO
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$ (183,546)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their useful lives as depreciation expense	
Depreciation expense	(210,170)
Capital outlay	969,492
Construction in Progress	185,305
Proceeds from the sale of bonds is an increase in fund balance in governmental funds. This amount is not an increase in net assets because the amount borrowed is reflected as an increase in long-term debt on the Statement of Net Assets.	
	(280,964)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Long-term debt for capital assets is a reduction of net assets, however, a reduction of the debt increases net assets.	
Principal paid on long-term debt	180,693
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable at the beginning of the year	3,113
Accrued interest payable at the end of the year	(2,775)
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued absences at the beginning of the year	80,462
Accrued absences at the end of the year	(79,662)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, motor pool, central services, and retirees health care, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	
	<u>84,821</u>
Change in net assets of governmental activities	<u><u>\$ 746,769</u></u>

The accompanying footnotes are an integral part of the financial statements.

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village of Caro (the Village) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Caro.

Effective July 1, 2003, the Village implemented the provisions of GASB Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain significant changes in the statements include the following:

A Management Discussion & Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations has been included in the financial statements.

Financial statements prepared using full accrual accounting for all of the Village's activities, including infrastructure (roads, etc.).

A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

ADOPTION OF NEW ACCOUNTING STANDARDS:

During the fiscal period 2004, the District adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999; GASB Statements 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued June 2001, and in GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001. These statements require the District to prepare a Management's Discussion and Analysis, government-wide financial statements on an accrual basis, and make some changes to the footnotes.

The following table shows beginning net assets related for the effects of implementation of GASB Statement No. 34:

Fund balance at June 30, 2003 – governmental funds	\$1,654,996
Long-term liabilities (restated)	(479,509)
Net capital assets (restated)	5,360,938
Accrued interest	(3,113)
Fund balance of Internal Service Fund (Equipment Fund)	<u>191,429</u>
Restated net assets – July 1, 2003	\$6,724,741

DESCRIPTION OF VILLAGE OPERATIONS AND FUND TYPES:

The Village of Caro is governed by an elected council with a village manager overseeing daily operations. The Village provides various services to its residents including law enforcement, fire protection, community enrichment and human services. The component units discussed below are included in the Village's financial reporting entity because of the significance of their operational or financial relationships with the Village.

REPORTING ENTITY:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Village of Caro (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. The following is a description of the component units:

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

REPORTING ENTITY (Continued):

Discretely Presented Component Units:

The component unit columns in the combined financial statements include the financial data of the Downtown Development Authority. These financial statements are reported on pages 41 and 42 to emphasize that they are legally separate from the Village.

The Downtown Development Authority of the Village of Caro is an Authority created pursuant to Public Act 197 of 1975. The purpose of the Authority is to analyze the impact of economic changes and growth in the Downtown District and develop plans to promote orderly economic growth in the "Downtown Development District."

Blended Component Unit Reported with the Primary Government:

The Building Authority of the Village of Caro was created pursuant to the provisions of Act 31, Public Acts of Michigan of 1948, as amended, for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating and maintaining buildings, automobile parking lots or structures and recreational facilities for use for any legitimate public purpose of the Village.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Village of Caro. There are six major funds reported on the government-wide financial statements.

The Statement of Net Assets presents the Village's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt, or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

BUDGETS AND BUDGETARY ACCOUNTING:

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year-end. The budgeted revenues and expenditures for governmental fund types include any authorized amendments to the original budget as adopted.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Village does not utilize encumbrance accounting.

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

CASH AND INVESTMENTS:

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorize the Village to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not totaling more than 50% of any fund at any time. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

RECEIVABLES:

Receivables consist primarily of amounts for intergovernmental revenue and customer charges. An allowance for doubtful accounts has been established in those funds where it was determined to be necessary. Credit risk is minimal because of the large number of customers and the authority of the Village to add receivables to the tax rolls that are secured by the underlying property.

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES:

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the governmental fund balance sheet.

PREPAID ITEMS:

Payments made to vendors, generally for services, that will benefit beyond June 30, 2004, are recorded as prepaid items. A reserve for prepaid items has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

INVENTORIES (ENTERPRISE FUNDS ONLY):

Inventories are stated at the lower of cost or market determined on the first-in, first-out (FIFO) method.

RESTRICTED ASSETS:

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and Michigan law.

CAPITAL ASSETS:

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, etc.) are reported in the operating fund in the government-wide financial statements. Capital assets are defined by the Village of Caro as assets with initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Any donated assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions GASB 34. The Village has capitalized the current year's infrastructure, as required by GASB 34, and has reported the infrastructure in the Statement of Net Assets. The Village will retroactively capitalize the major infrastructure assets acquired on or before June 30, 2004 as permitted by GASB 34.

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

DEPRECIATION:

Depreciation expense amounted to \$594,779 for the year ended June 30, 2004. Depreciation is computed using the straight-line method. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Land/Land Improvements	0 - 50
Buildings	10 - 50
Bridges	50
Meters	13 - 20
Storm/Sewer lines	30 - 67
Sidewalks/Trailways	30
Water lines	50
Source of Supply	6 - 50
Motor Vehicles & Related Equipment	3 - 10
Machinery & Equipment	5 - 20
Roads	5 - 20
Parking lots	20
Traffic Signals	15

COMPENSATED ABSENCES:

It is the Village's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from the Village's service. In governmental funds, the cost of vacation and sick leave is recognized when payments are made to employees. A liability has been recorded in the Statement of Net Assets.

ESTIMATES:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FUND EQUITY:

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Contributed capital currently exists only in the enterprise funds. This capital has been used along with other Village resources to purchase or construct the water and sewer systems currently in use within the Village. In order to more accurately reflect the equity remaining in these contributions, the contributions are being amortized over the useful life of the assets they aided in constructing or purchasing.

INTERFUND TRANSACTIONS:

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-reoccurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

MEMORANDUM ONLY - TOTAL COLUMNS:

The total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, therefore, does not present consolidated information.

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 2 - PENSION PLANS/DEFERRED COMPENSATION PLAN:

DEFINED BENEFIT PENSION PLAN:

The Village of Caro Retirement Plan is a single-employer defined benefit pension plan administered by The Principal Financial Group. It provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Village Council. Village of Caro Retirement Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Village of Caro, 317 South State Street, Caro, MI 48723.

The contribution requirements of plan members and the Village are established and may be amended by the Village Council. Plan members are required to contribute 3% of their annual covered salary. The Village is required to contribute to an actuarially determined rate; the current rate is 21.02% of annual covered payroll.

The Village's annual pension cost and net pension obligation to the Village of Caro Retirement Plan for the current year were:

Annual required contribution	\$54,513
Interest on net pension obligation	1,048
Adjustment to annual required contribution	2,098
 Annual pension cost	 53,463
Contributions made	54,513
 Increase (decrease) in net pension obligation	 (1,050)
Net pension obligation beginning of year	16,129
 Net pension obligation end of year	 \$15,079

The annual required contribution for the current year was determined as part of the August 1, 2003 actuarial valuation using the entry age normal-frozen initial liability actuarial cost method. The actuarial assumptions included (a) 6.5% investment rate of return (net of investment expenses) for pre-retirement and 5.5% for post-retirement and (b) projected salary increases of 2.10%. Both (a) and (b) included an inflation component of 3%. The assumptions did not include post-retirement benefit increases, which are funded by Village appropriation when granted. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a longer period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis.

Three-year Trend Information:

<u>FISCAL YEAR</u> <u>ENDING</u>	<u>ANNUAL PENSION</u> <u>COST (APC)</u>	<u>PERCENTAGE</u> <u>OF APC</u> <u>CONTRIBUTED</u>	<u>NET PENSION</u> <u>OBLIGATION</u>
June 30, 2002	72,198	101%	\$17,252
June 30, 2003	88,517	101%	\$16,129
June 30, 2004	53,463	102%	\$15,079

DEFINED CONTRIBUTION PENSION PLAN:

The Village of Caro Money Purchase Plan is a defined contribution pension plan established by the Village of Caro to provide benefits at retirement to certain Village officials. At June 30, 2004, there were seventeen plan members. The Village is required to contribute 5% to 10% of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the Village Council.

BASIS OF ACCOUNTING:

The financial statements of the Village of Caro Money Purchase Plan are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are due.

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 2 - PENSION PLANS/DEFERRED COMPENSATION PLAN (Continued):

VALUATION OF INVESTMENTS:

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value.

Mutual fund investments of \$149,915 were held at June 30, 2004.

DEFERRED COMPENSATION PLAN:

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Village employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. In addition, certain employees have the Village's contribution to their retirement plan deposited to the Deferred Compensation Plan. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 3 - CONTINGENT LIABILITIES:

AIRPORT AUTHORITY:

Effective July 1, 1993, the Village transferred ownership of the Caro Airport to a separate legal and reporting entity. Certain liabilities, which continue to be in the name of the Village, were assumed by the Airport Authority. As Airport Authority financial information is presented under separate cover, no Airport Authority liabilities in the Village's name have been recorded in these financial statements. The amount of the long-term debt held in the name of the Village for the Airport Authority is \$137,789.

LITIGATION:

Litigation has been instituted against the Village. The Village's legal counsel and management believe that these lawsuits will have no material liability to the Village in excess of insurance coverage.

NOTE 4 - LONG-TERM DEBT:

Long-term debt of the Village's Enterprise Funds consisted of and had the following provisions:

WATER FUND

Revenue Bonds originally dated June 18, 1987 and subsequently refinanced under the MMBA local government refunding revenue loan program are payable with interest averaging 5.3%. Bonds were issued to finance the construction of a new water tower, additional water mains and a well.

TOTAL	\$445,000	
CURRENT PORTION	<u>(75,000)</u>	\$ 370,000

Junior lien revenue bonds payable dated September 30, 1999, in an amount not to exceed \$1,035,000. The bonds bear interest at 2.5% and were issued to finance the construction of a new water well and new water lines.

TOTAL	723,050	
CURRENT PORTION	<u>(37,409)</u>	685,641

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 4 - LONG-TERM DEBT (Continued):

Community Development Block Grant loan not to exceed \$245,000 for the purpose of constructing a well. The loan has an interest rate of 5%. The Village can earn credits equal to \$10,000 for each qualifying net new job created and added to the existing job base. The job credit will be applied first to the accrued interest and then to the principal loan balance.

WATER FUND

TOTAL	229,398	
CURRENT PORTION	<u>NONE</u>	<u>229,398</u>
TOTAL WATER FUND (LONG-TERM)		\$1,285,039

SEWAGE DISPOSAL FUND

County Revenue Bonds payable with interest varying between 3.75% and 6.625%. Bonds were issued to finance the construction of a new waste treatment facility and sewer lines. On October 1, 2002, the bonds were advanced refunded. This advance refunding was undertaken to reduce total debt service payments over the next ten years by \$222,866.

TOTAL	793,520	
CURRENT PORTION	<u>(72,800)</u>	<u>720,720</u>
TOTAL SEWAGE DISPOSAL FUND (LONG-TERM)		<u>720,720</u>
TOTAL ENTERPRISE FUNDS (LONG-TERM)		\$2,005,759

Long-term debt of the Village's Component Unit (Downtown Development Authority):

Installment loan payable to the Michigan Department of Environmental Quality dated February 15, 1999. Loan proceeds were used for the environmental clean up of a parcel of land. The note carries an interest rate of 2.25% per annum.

\$ 44,485

Bonds payable (General Obligation Limited Tax) to FifthThird Bank dated August 29, 2001. Semi-annual payments of interest carry rates varying between 3.5% and 4.85%. Principal payments are due on an annual basis.

895,000

TOTAL		\$939,485
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General long-term debt of the Village consisted of and had the following provisions:

Bonds payable (General Obligation Limited Tax) to Chemical Bank dated August 1, 1996. Semi-annual payments of interest carry rates varying between 4.25% and 5.40%. Principal payments are due on an annual basis.

\$240,000

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 4 - LONG-TERM DEBT, (Continued):

General long-term debt of the Village consisted of and had the following provisions, (Continued):

Community Development Block Grant loan for the purpose of constructing an entrance and changes to Colling Road. The loan has an interest rate of 5%. The Village can earn credits equal to \$10,000 for each qualifying net new job created and added to the existing job base. The job credit will be applied first to the accrued interest and then to the principal loan balance. \$134,226

Bonds payable (General Obligation Limited Tax) to Community Bank dated September 22, 2003. Semi-annual payments of interest carry a rate of 2.00%. Principal payments are due on an annual basis. 125,087

Compensated absences 79,662

TOTAL **\$578,975**

During the year ended June 30, 2004 the following changes occurred in liabilities reported in the governmental general long-term debt on the statement of net assets:

(Restated) BALANCE JULY 1, 2003	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2004
\$533,704	\$280,964	\$235,693	\$578,975

ANNUAL REQUIREMENTS TO AMORTIZE LONG-TERM DEBT
JUNE 30, 2004

YEAR ENDING JUNE 30	GENERAL OBLIGATION		REVENUE	
	Principal	Interest	Principal	Interest
2005	\$ 189,514	\$ 55,725	\$ 185,209	\$ 59,306
2006	204,616	46,769	190,209	52,455
2007	89,720	36,844	211,129	45,179
2008	94,826	33,379	234,846	34,562
2009	99,935	29,680	241,206	29,557
2010-2014	552,331	99,090	644,482	111,530
2015-2019	171,872	20,740	366,317	53,464
2020-2022	35,984	<u>2,296</u>	<u>117,570</u>	<u>4,545</u>
Compensated absences	<u>79,662</u>			
TOTAL	\$1,518,460	\$324,523	\$2,190,968	\$390,598

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 5 - NOTES RECEIVABLE:

GENERAL FUND:

Notes receivable to the general fund consisted of and had the following provisions:

Note receivable from the Tuscola Area Airport Authority.	\$44,916
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NOTE 6 - SEGMENT INFORMATION:

The Village maintains two enterprise funds that provide water and sewer services. Segment information for the year ended June 30, 2004, is as follows:

	<u>WATER</u>	<u>SEWAGE DISPOSAL</u>	<u>TOTAL ENTERPRISE FUNDS</u>
Operating revenue	\$699,372	\$697,028	\$1,396,400
Depreciation & Amortization expense	128,195	204,719	332,914
Operating income (loss)	194,482	(125,806)	68,676
Net income	142,368	(155,932)	(13,564)
Property, plant & equipment:			
Additions	281,416	124,562	405,978
Dispositions	0	100,000	100,000
Net working capital (deficit)	416,329	167,447	583,776
Total identifiable assets	3,913,065	6,555,046	10,468,111
Total equity	2,496,355	5,679,248	8,175,603

NOTE 7 - CAPITAL ASSET SUMMARY:

A summary of property, plant, and equipment at June 30, 2004 is as follows:

	<u>DEPREC- -ATION LIFE- YEARS</u>	<u>WATER FUND</u>	<u>SEWAGE DISPOSAL FUND</u>	<u>EQUIPMENT RENTAL FUND</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>COMPONENT UNIT</u>
Land/Land Improvements	0-15	\$ 115,923	\$ 250		\$1,870,980	\$ 587,895
Buildings	10-50	663,073	6,544,433		2,321,435	
Bridges	50				79,360	
Meters	13-20	323,862	31,765			
Storm/Sewer lines	30-67		2,848,276		382,520	
Sidewalks/Trailways	30				792,000	
Water lines	50	2,204,289				
Source of Supply	6-50	1,108,417				
Motor Vehicles & Related Equipment	3-10			\$892,416		
Machinery & Equipment	5-20	85,548	258,275		713,349	
Revenue Loan Costs		30,896	68,179			
Roads	5-20				731,079	
Parking lots	20					1,048,900
Traffic Signals	15				105,000	
Total Costs		4,532,008	9,751,178	892,416	6,995,723	1,636,795
Less Accumulated Depreciation		(1,647,498)	(3,560,892)	(553,799)	(1,214,086)	(106,017)
Net Carrying Amount		\$2,884,510	\$6,190,286	\$338,617	\$5,781,637	\$1,530,778

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 7 – CAPITAL ASSET SUMMARY, (Continued):

All depreciation is computed using the straight-line method. Equipment Rental Fund assets are combined with Governmental Activities assets on the Statement of Net Assets. Depreciation expense was recorded as follows:

Governmental Activities	\$210,170
Water Fund	124,333
Sewer Fund	204,719
Component Unit	<u>55,557</u>
Total depreciation expense	\$594,779

NOTE 8 - CASH AND INVESTMENTS:

The Village maintains a pooled account for substantially all of its cash. Each fund type's portion of this pool is maintained through the use of separate accounts within the pooled account. This cash is shown in their respective funds for financial reporting purposes.

DEPOSITS:

At year-end, the carrying amount of the Village's deposits was \$2,428,963 and the bank balance was \$2,652,403. Of the bank balance, \$300,000 was covered by federal depository insurance with the remaining balance uninsured and uncollateralized. The carrying amount of cash includes \$223,840 of outstanding checks (net of deposits in transit and miscellaneous credits) and \$400 of petty cash.

NOTE 9 - CONTRIBUTED CAPITAL:

Contributed capital currently exists only in the Enterprise Funds. This capital has been used along with other Village resources to purchase or construct the water and sewer systems currently in use or still in construction within the Village. In order to more accurately reflect the equity remaining in these contributions, depreciation expense on fixed assets acquired by grants, entitlements and shared revenues is closed to contributed capital rather than retained earnings.

NOTE 10 - RECEIVABLES:

Receivables at June 30, 2004 consist of the following:

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>ENTERPRISE</u>	<u>TOTAL</u>
Receivables:				
Accounts	\$64,493	\$105,563	\$147,460	\$317,516
Taxes	3,938	979	-	4,917
Notes	44,916			44,916
Allowance for Uncollectibles	<u>(9,050)</u>	<u> </u>	<u> </u>	<u>(9,050)</u>
TOTAL RECEIVABLES	\$104,297	\$106,542	\$147,460	\$358,299

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 11 - RESERVES/DESIGNATIONS ON RETAINED EARNINGS/FUND BALANCES:

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>ENTERPRISE</u>
Retained earnings reserved for debt retirement			\$332,954
Fund balances designated for:			
Debt service		\$311	
Community promotion	\$89,665	-	-
TOTAL	\$89,655	\$311	\$332,954

NOTE 12 - PROPERTY TAX REVENUE:

Property taxes become an enforceable lien on the property as of July 1. Taxes are levied on July 1 and are due in September. The Village bills and collects its own property taxes. Village tax revenues are recognized in the year of levy.

NOTE 13 - LEGAL COMPLIANCE - BUDGETS:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to June 30 of each year, a proposed budget is submitted to the Council for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1 the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, debt service fund and special revenue funds.
6. Budgets for general, special revenue and debt service funds are adopted on a basis consistent with U.S. generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Village Council during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level. Violations, if any, are disclosed in the required supplementary information section.

NOTE 14 - RISK MANAGEMENT:

The Village is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage for the past three years.

VILLAGE OF CARO, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE:

Effective July 1, 2003, the Village implemented the following new accounting standards issued by GASB:

Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires a significant change in the financial reporting model used by local governments, eliminating account groups and utilizing the full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have a significant effect on the financial position or results of operation.

Statement No. 38, Certain Financial Statement Note Disclosures, which requires note disclosures when implementing GASB Statement 34.

NOTE 16 – INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2004, consisted of the following amounts:

		TRANSFERS FROM						
TRANSFERS TO		<u>General Fund</u>	<u>Major Streets</u>	<u>Municipal Streets</u>	<u>Fire Fund</u>	<u>Debt Service</u>	<u>DDA</u>	<u>Total</u>
	General Fund				\$25,544			\$ 25,544
	Major Streets					\$5,891		5,891
	Local Streets		\$49,400	\$180,000				229,400
	Fire Fund	\$ 64,918						64,918
	DDA	50,000						50,000
	Debt Service				56,493		\$96,820	153,313
	Total	<u>\$114,918</u>	<u>\$49,400</u>	<u>\$180,000</u>	<u>\$82,037</u>	<u>\$5,891</u>	<u>\$96,820</u>	<u>\$529,066</u>

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF CARO
GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET			VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES	\$ 2,164,719	\$ 1,735,740	\$ 1,685,396	\$ (50,344)
EXPENDITURES	2,086,551	1,732,766	1,640,674	92,092
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>78,168</u>	<u>2,974</u>	<u>44,722</u>	<u>41,748</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	51,088	51,088	25,544	(25,544)
Transfers out	(129,256)	(250,106)	(114,918)	135,188
TOTAL OTHER FINANCING SOURCES (USES):	<u>(78,168)</u>	<u>(199,018)</u>	<u>(89,374)</u>	<u>109,644</u>
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>-</u>	<u>(196,044)</u>	<u>(44,652)</u>	<u>151,392</u>
FUND BALANCE - JULY 1	<u>771,748</u>	<u>771,748</u>	<u>771,748</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 771,748</u>	<u>\$ 575,704</u>	<u>\$ 727,096</u>	<u>\$ 151,392</u>

VILLAGE OF CARO
MAJOR STREET & TRUNKLINE
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET			VARIANCE - FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUE:				
Taxes	\$ 75,000	\$ 76,197	\$ 76,197	\$ -
Intergovernmental revenue	180,000	232,233	1,141,490	909,257
Miscellaneous	4,500	4,720	4,749	29
TOTAL REVENUE	<u>259,500</u>	<u>313,150</u>	<u>1,222,436</u>	<u>909,286</u>
EXPENDITURES:				
Construction	420,500	331,299	1,212,635	(881,336)
Routine maintenance - street & storm sewers	88,719	97,700	96,296	1,404
Trees & shrubs	1,421	807	306	501
Snow & ice controls	14,563	12,500	11,674	826
Sweeping & flushing	24,898	19,000	17,849	1,151
Draining, signs & signals	3,070	12,635	10,924	1,711
Administrative	39,440	37,242	33,345	3,897
TOTAL EXPENDITURES	<u>592,611</u>	<u>511,183</u>	<u>1,383,029</u>	<u>(871,846)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(333,111)</u>	<u>(198,033)</u>	<u>(160,593)</u>	<u>37,440</u>
OTHER FINANCING SOURCES (USES):				
Loan proceeds	150,000	100,964	100,964	-
Operating transfers in		5,891	5,891	-
Operating transfers out	(36,250)	(49,400)	(49,400)	-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>(219,361)</u>	<u>(140,578)</u>	<u>(103,138)</u>	<u>37,440</u>
FUND BALANCE - JULY 1	<u>441,673</u>	<u>441,673</u>	<u>441,673</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 222,312</u>	<u>\$ 301,095</u>	<u>\$ 338,535</u>	<u>\$ 37,440</u>

VILLAGE OF CARO
LOCAL STREET FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET			VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Taxes	\$ 36,000	\$ 37,915	\$ 37,915	\$ -
Intergovernmental revenue	70,000	85,650	85,662	12
Miscellaneous	18,400	1,035	13,780	12,745
TOTAL REVENUE	124,400	124,600	137,357	12,757
EXPENDITURES:				
Construction - street & storm sewers	226	2,830	-	2,830
Routine maintenance - street & storm sewers	346,291	312,170	311,674	496
Administrative	39,506	34,000	33,035	965
TOTAL EXPENDITURES	386,023	349,000	344,709	4,291
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(261,623)	(224,400)	(207,352)	17,048
OTHER FINANCING SOURCES (USES):				
Operating transfers in	216,250	229,400	229,400	-
Operating transfers out				-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	(45,373)	5,000	22,048	17,048
FUND BALANCE - JULY 1	62,327	62,327	62,327	-
FUND BALANCE - JUNE 30	\$ 16,954	\$ 67,327	\$ 84,375	\$ 17,048

VILLAGE OF CARO
REFUSE/SANITATION FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET		ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUE:				
Taxes	\$ 36,320	\$ 36,412	\$ 36,412	\$ -
Charges for services	340,000	344,862	344,862	-
Miscellaneous	1,600	476	1,395	919
TOTAL REVENUE	377,920	381,750	382,669	919
EXPENDITURES:				
Sanitation:				
Wages	4,000	4,000	2,710	1,290
Employee benefits	5,582	2,933	2,892	41
Miscellaneous supplies	2,000	2,810	1,530	1,280
Contracted services	326,650	328,886	315,620	13,266
Insurance	5,105	1,700	1,638	62
Equipment rental	2,300	3,000	1,429	1,571
Administration fee	19,928	19,928	18,102	1,826
Miscellaneous	3,600	5,908	2,753	3,155
TOTAL EXPENDITURES	369,165	369,165	346,674	22,491
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	8,755	12,585	35,995	23,410
OTHER FINANCING SOURCES (USES):				
Operating transfers in				-
Operating transfers out				-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	8,755	12,585	35,995	23,410
FUND BALANCE - JULY 1	136,224	136,224	136,224	-
FUND BALANCE - JUNE 30	\$ 144,979	\$ 148,809	\$ 172,219	\$ 23,410

ADDITIONAL INFORMATION

VILLAGE OF CARO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
June 30, 2004

	<u>DEBT SERVICE</u>	<u>MUNICIPAL STREET</u>	<u>DRUG FORFEITURE</u>	<u>FIRE FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>					
Cash	\$ 311	\$ 101,171	\$ 819	\$ 73,125	\$ 175,426
Accounts receivable		6,065	-	18,617	24,682
Taxes receivable		827	-	-	827
Due from other funds					-
TOTAL ASSETS	<u>\$ 311</u>	<u>\$ 108,063</u>	<u>\$ 819</u>	<u>\$ 91,742</u>	<u>\$ 200,935</u>
<u>LIABILITIES & FUND BALANCES</u>					
Liabilities:					
Accounts payable		\$ 504	\$ -	\$ 2,588	\$ 3,092
Accrued salaries & wages		451	-	964	1,415
Due to other funds					-
Deferred revenue		-	-	47,203	47,203
Total Liabilities	<u>\$ -</u>	<u>955</u>	<u>-</u>	<u>50,755</u>	<u>51,710</u>
Fund Balances:					
Reserved for:					
Debt service	311				311
Unreserved		107,108	819	40,987	148,914
Total Fund Balances	<u>311</u>	<u>107,108</u>	<u>819</u>	<u>40,987</u>	<u>149,225</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 311</u>	<u>\$ 108,063</u>	<u>\$ 819</u>	<u>\$ 91,742</u>	<u>\$ 200,935</u>

VILLAGE OF CARO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED 6/30/2004

	<u>DEBT SERVICE</u>	<u>MUNICIPAL STREET</u>	<u>DRUG FORFEITURE</u>	<u>FIRE FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
REVENUES:					
Taxes		\$ 198,839			\$ 198,839
Charges for services				\$ 90,174	90,174
Miscellaneous	\$ 4	3,640	\$ 19	53,878	57,541
TOTAL REVENUE	<u>4</u>	<u>202,479</u>	<u>19</u>	<u>144,052</u>	<u>346,554</u>
EXPENDITURES:					
Fire dept.				349,264	349,264
Streets		68,079			68,079
Miscellaneous					-
Debt Service:					
Principal	109,913				109,913
Interest	43,400				43,400
TOTAL EXPENDITURES	<u>153,313</u>	<u>68,079</u>	<u>-</u>	<u>349,264</u>	<u>570,656</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(153,309)</u>	<u>134,400</u>	<u>19</u>	<u>(205,212)</u>	<u>(224,102)</u>
OTHER FINANCING SOURCES (USES):					-
Loan/Bond proceeds				180,000	180,000
Operating transfers in	153,313			64,918	218,231
Operating transfers out	(5,891)	(180,000)		(82,037)	(267,928)
TOTAL OTHER FINANCING SOURCES (USES)	<u>147,422</u>	<u>(180,000)</u>	<u>-</u>	<u>162,881</u>	<u>130,303</u>
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>(5,887)</u>	<u>(45,600)</u>	<u>19</u>	<u>(42,331)</u>	<u>(93,799)</u>
FUND BALANCE - JULY 1	<u>6,198</u>	<u>152,708</u>	<u>800</u>	<u>83,318</u>	<u>243,024</u>
FUND BALANCE - JUNE 30	<u>\$ 311</u>	<u>\$ 107,108</u>	<u>\$ 819</u>	<u>\$ 40,987</u>	<u>\$ 149,225</u>

VILLAGE OF CARO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE
YEAR ENDED JUNE 30, 2003

	<u>2004</u>			<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>	<u>ACTUAL</u>
REVENUES	\$ 1,735,740	\$ 1,685,396	\$ (50,344)	\$ 1,887,696
EXPENDITURES	1,732,766	1,640,674	92,092	1,772,709
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>2,974</u>	<u>44,722</u>	<u>41,748</u>	<u>114,987</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	51,088	25,544	(25,544)	8,659
Transfers out	(250,106)	(114,918)	135,188	(112,665)
TOTAL OTHER FINANCING SOURCES (USES):	<u>(199,018)</u>	<u>(89,374)</u>	<u>109,644</u>	<u>(104,006)</u>
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>(196,044)</u>	<u>(44,652)</u>	<u>151,392</u>	<u>10,981</u>
FUND BALANCE - JULY 1	<u>771,748</u>	<u>771,748</u>	<u>-</u>	<u>760,767</u>
FUND BALANCE - JUNE 30	<u>\$ 575,704</u>	<u>\$ 727,096</u>	<u>\$ 151,392</u>	<u>\$ 771,748</u>

VILLAGE OF CARO
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
YEAR ENDED JUNE 30, 2004

	<u>MAJOR STREET & TRUNKLINE</u>	<u>LOCAL STREET</u>	<u>MUNICIPAL STREET</u>
<u>ASSETS</u>			
Cash	\$ 303,332	\$ 69,854	\$ 101,171
Accounts receivable	36,790	15,734	6,065
Taxes receivable			827
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 340,122</u>	<u>\$ 85,588</u>	<u>\$ 108,063</u>
<u>LIABILITIES & FUND EQUITY</u>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 504
Accrued salaries & wages	1,587	1,213	451
Deferred revenue			-
	<hr/>	<hr/>	<hr/>
Total Liabilities	<hr/> 1,587	<hr/> 1,213	<hr/> 955
Fund equity:			
Fund balance:			
Undesignated	<hr/> 338,535	<hr/> 84,375	<hr/> 107,108
	<hr/>	<hr/>	<hr/>
Total Fund Equity	<hr/> 338,535	<hr/> 84,375	<hr/> 107,108
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 340,122</u>	<u>\$ 85,588</u>	<u>\$ 108,063</u>

<u>REFUSE/ SANITATION</u>	<u>DRUG FORFEITURE</u>	<u>FIRE</u>	<u>TOTALS JUNE 30,</u>	
			<u>2004</u>	<u>2003</u>
\$ 144,297	\$ 819	\$ 73,125	\$ 692,598	\$ 858,865
28,357		18,617	105,563	125,670
152			979	957
<u>\$ 172,806</u>	<u>\$ 819</u>	<u>\$ 91,742</u>	<u>\$ 799,140</u>	<u>\$ 985,492</u>
\$ 63		\$ 2,588	\$ 3,155	\$ 13,370
524		964	4,739	3,172
		47,203	47,203	91,900
<u>587</u>		<u>50,755</u>	<u>55,097</u>	<u>108,442</u>
172,219	819	40,987	744,043	877,050
172,219	819	40,987	744,043	877,050
<u>\$ 172,806</u>	<u>\$ 819</u>	<u>\$ 91,742</u>	<u>\$ 799,140</u>	<u>\$ 985,492</u>

VILLAGE OF CARO
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2004

	<u>MAJOR STREET & TRUNKLINE</u>	<u>LOCAL STREET</u>	<u>MUNICIPAL STREET</u>
REVENUE:			
Taxes	\$ 76,197	\$ 37,915	\$ 198,839
Intergovernmental revenue	1,141,490	85,662	-
Charges for services	-	-	-
Miscellaneous	4,749	13,780	3,640
	<u>1,222,436</u>	<u>137,357</u>	<u>202,479</u>
TOTAL REVENUE			
EXPENDITURES:			
Streets	1,383,029	344,709	68,079
Refuse			
Fire			
	<u>1,383,029</u>	<u>344,709</u>	<u>68,079</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(160,593)	(207,352)	134,400
OTHER FINANCING SOURCES (USES):			
Loan proceeds	100,964	-	
Operating transfers in	5,891	229,400	-
Operating transfers out	(49,400)	-	(180,000)
	<u>(103,138)</u>	<u>22,048</u>	<u>(45,600)</u>
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES			
FUND BALANCE - JULY 1	441,673	62,327	152,708
FUND BALANCE - JUNE 30	<u>\$ 338,535</u>	<u>\$ 84,375</u>	<u>\$ 107,108</u>

REFUSE/ SANITATION	DRUG FORFEITURE	FIRE	TOTALS JUNE 30,	
			2004	2003
\$ 36,412			\$ 349,363	\$ 344,557
-			1,227,152	290,076
344,862		\$ 90,174	435,036	492,507
1,395	\$ 19	53,878	77,461	27,648
<u>382,669</u>	<u>19</u>	<u>144,052</u>	<u>2,089,012</u>	<u>1,154,788</u>
346,674			1,795,817	699,054
			346,674	350,813
		349,264	349,264	137,997
<u>346,674</u>		<u>349,264</u>	<u>2,491,755</u>	<u>1,187,864</u>
35,995	19	(205,212)	(402,743)	(33,076)
		180,000	280,964	33,261
-	-	64,918	300,209	108,612
-		(82,037)	(311,437)	(54,606)
<u>35,995</u>	<u>19</u>	<u>(42,331)</u>	<u>(133,007)</u>	<u>54,191</u>
136,224	800	83,318	877,050	822,859
<u>\$ 172,219</u>	<u>\$ 819</u>	<u>\$ 40,987</u>	<u>\$ 744,043</u>	<u>\$ 877,050</u>

VILLAGE OF CARO
MAJOR STREET AND TRUNKLINE FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes - county road levy	\$ 76,197	\$ 76,197	\$ -
Intergovernmental revenue:			
Gas & weight tax	199,500	199,509	9
M-81 Project	-	909,248	909,248
Trunkline maintenance	32,733	32,733	-
Total Intergovernmental Revenue	232,233	1,141,490	909,257
Miscellaneous revenue:			
Interest income	2,570	2,576	6
Miscellaneous	2,150	2,173	23
Total Miscellaneous Revenue	4,720	4,749	29
TOTAL REVENUE	313,150	1,222,436	909,286
EXPENDITURES:			
Construction	331,299	1,212,635	(881,336)
Routine maintenance - street & storm sewers	97,700	96,296	1,404
Trees & shrubs	807	306	501
Snow & ice controls	12,500	11,674	826
Sweeping & flushing	19,000	17,849	1,151
Draining, signs & signals	12,635	10,924	1,711
Administrative	37,242	33,345	3,897
TOTAL EXPENDITURES	511,183	1,383,029	(871,846)
OTHER FINANCING SOURCES (USES):			
Loan proceeds	100,964	100,964	-
Operating transfers in	5,891	5,891	-
Operating transfers out	(49,400)	(49,400)	-
TOTAL OTHER FINANCING SOURCES (USES):	57,455	57,455	-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	(140,578)	(103,138)	37,440
FUND BALANCE - JULY 1	441,673	441,673	
FUND BALANCE - JUNE 30	\$ 301,095	\$ 338,535	\$ 37,440

VILLAGE OF CARO
LOCAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes - County bridge levy	<u>\$ 37,915</u>	<u>\$ 37,915</u>	<u>\$ -</u>
Intergovernmental revenue:			
Gas & weight tax	<u>85,650</u>	<u>85,662</u>	<u>12</u>
Miscellaneous revenue:			
Interest income	<u>385</u>	<u>385</u>	<u>-</u>
Miscellaneous	<u>650</u>	<u>13,395</u>	<u>12,745</u>
Total Miscellaneous Revenue	<u>1,035</u>	<u>13,780</u>	<u>12,745</u>
TOTAL REVENUE	<u>124,600</u>	<u>137,357</u>	<u>12,757</u>
EXPENDITURES:			
Construction - street & storm sewers	<u>2,830</u>	<u>-</u>	<u>2,830</u>
Routine maintenance - street & storm sewers	<u>312,170</u>	<u>311,674</u>	<u>496</u>
Administrative	<u>34,000</u>	<u>33,035</u>	<u>965</u>
TOTAL EXPENDITURES	<u>349,000</u>	<u>344,709</u>	<u>4,291</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(224,400)</u>	<u>(207,352)</u>	<u>17,048</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	<u>229,400</u>	<u>229,400</u>	<u>-</u>
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>5,000</u>	<u>22,048</u>	<u>17,048</u>
FUND BALANCE - JULY 1	<u>225,329</u>	<u>62,327</u>	<u>163,002</u>
FUND BALANCE - JUNE 30	<u>\$ 230,329</u>	<u>\$ 84,375</u>	<u>\$ (145,954)</u>

VILLAGE OF CARO
MUNICIPAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes - Current property tax levy	<u>\$ 198,800</u>	<u>\$ 198,839</u>	<u>\$ 39</u>
Miscellaneous Revenue:			
Sidewalk assessments	<u>1,725</u>	<u>1,726</u>	<u>1</u>
Interest income	<u>1,900</u>	<u>1,914</u>	<u>14</u>
Total Miscellaneous Revenue	<u>3,625</u>	<u>3,640</u>	<u>15</u>
TOTAL REVENUE	<u>202,425</u>	<u>202,479</u>	<u>54</u>
EXPENDITURES:			
Alleys & sidewalks	<u>12,214</u>	<u>10,537</u>	<u>1,677</u>
Administrative	<u>24,000</u>	<u>22,981</u>	<u>1,019</u>
Parking Lots	<u>33,000</u>	<u>34,561</u>	<u>(1,561)</u>
TOTAL EXPENDITURES	<u>69,214</u>	<u>68,079</u>	<u>1,135</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>133,211</u>	<u>134,400</u>	<u>1,189</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers out	<u>(180,000)</u>	<u>(180,000)</u>	
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES & OTHER USES	<u>(46,789)</u>	<u>(45,600)</u>	<u>1,189</u>
FUND BALANCE - JULY 1	<u>152,708</u>	<u>152,708</u>	
FUND BALANCE - JUNE 30	<u>\$ 105,919</u>	<u>\$ 107,108</u>	<u>\$ 1,189</u>

VILLAGE OF CARO
REFUSE/SANITATION FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes - Current tax levy	<u>\$ 36,412</u>	<u>\$ 36,412</u>	<u>\$ -</u>
Charges for services:			
Rubbish/trash	<u>344,862</u>	<u>344,862</u>	<u>-</u>
Miscellaneous revenue:			
Miscellaneous income	<u>476</u>	<u>1,395</u>	<u>919</u>
TOTAL REVENUE	<u>381,750</u>	<u>382,669</u>	<u>919</u>
EXPENDITURES:			
Sanitation:			
Wages	4,000	2,710	1,290
Employee benefits	2,933	2,892	41
Miscellaneous supplies	2,810	1,530	1,280
Contracted services	328,886	315,620	13,266
Insurance	1,700	1,638	62
Equipment rental	3,000	1,429	1,571
Administration fee	19,928	18,102	1,826
Miscellaneous	<u>5,908</u>	<u>2,753</u>	<u>3,155</u>
TOTAL EXPENDITURES	<u>369,165</u>	<u>346,674</u>	<u>22,491</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	12,585	35,995	23,410
FUND BALANCE - JULY 1	<u>136,224</u>	<u>136,224</u>	
FUND BALANCE - JUNE 30	<u>\$ 148,809</u>	<u>\$ 172,219</u>	<u>\$ 23,410</u>

VILLAGE OF CARO
DRUG FORFEITURE FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Interest income	\$ 20	\$ 19	\$ (1)
TOTAL REVENUE	<u>20</u>	<u>19</u>	<u>(1)</u>
EXPENDITURES:	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	20	19	(1)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES & OTHER USES	20	19	(1)
FUND BALANCE - JULY 1	<u>800</u>	<u>800</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 820</u>	<u>\$ 819</u>	<u>\$ (1)</u>

VILLAGE OF CARO
FIRE FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Charges for Services:			
Fire Fees	\$ 90,174	\$ 90,174	\$ -
Surcharges	-	-	-
Total Charges for Services	<u>90,174</u>	<u>90,174</u>	<u>-</u>
Miscellaneous Revenue:			
USDA Grant	24,607	24,607	-
Interest income	1,063	1,049	(14)
Donations	29,000	29,000	-
Other	1,000	(778)	1,778
Total Miscellaneous Revenue	<u>55,670</u>	<u>53,878</u>	<u>1,764</u>
TOTAL REVENUE	<u>145,844</u>	<u>144,052</u>	<u>1,764</u>
EXPENDITURES:			
Salaries and wages	62,000	62,366	(366)
Fringe benefits	12,000	13,011	(1,011)
Supplies	18,325	15,664	2,661
Contracted Repairs	5,500	7,078	(1,578)
Capital Outlay	214,350	216,190	(1,840)
Telephone	1,400	1,397	3
Insurance	9,775	9,770	5
Administrative expense	10,000	10,000	-
Equipment rent	2,500	2,481	19
Miscellaneous	11,500	11,307	193
TOTAL EXPENDITURES	<u>347,350</u>	<u>349,264</u>	<u>(1,914)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(201,506)	(205,212)	3,706
OTHER FINANCING SOURCES (USES):			
Bond proceeds	180,000	180,000	-
Operating transfers in	64,918	64,918	-
Operating transfers out	(146,394)	(82,037)	(64,357)
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES & OTHER USES	(102,982)	(42,331)	60,651
FUND BALANCE - JULY 1	<u>83,318</u>	<u>83,318</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u><u>\$ (19,664)</u></u>	<u><u>\$ 40,987</u></u>	<u><u>\$ 60,651</u></u>

VILLAGE OF CARO
DEBT SERVICE FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Miscellaneous Revenue:			
Interest income	5	4	(1)
Other	-	-	-
Total Miscellaneous Revenue	<u>5</u>	<u>4</u>	<u>(1)</u>
TOTAL REVENUE	<u>5</u>	<u>4</u>	<u>1</u>
EXPENDITURES:			
Principal	109,913	109,913	-
Interest	<u>43,400</u>	<u>43,400</u>	<u>-</u>
TOTAL EXPENDITURES	<u>153,313</u>	<u>153,313</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(153,308)	(153,309)	1
OTHER FINANCING SOURCES (USES):			
Loan proceeds	-	-	-
Operating transfers in	153,333	153,313	(20)
Operating transfers out	<u>(5,891)</u>	<u>(5,891)</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES & OTHER USES	(5,866)	(5,887)	(21)
FUND BALANCE - JULY 1	<u>6,198</u>	<u>6,198</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 332</u>	<u>\$ 311</u>	<u>\$ (21)</u>

VILLAGE OF CARO
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
June 30, 2004

			TOTALS	
			JUNE 30,	
	WATER	SEWAGE DISPOSAL	2004	2003
<u>ASSETS</u>				
Cash	\$ 397,185	\$ 250,631	\$ 647,816	\$ 594,932
Accounts receivable - net	79,309	68,151	147,460	279,132
Inventories	32,651	3,743	36,394	36,394
Prepaid interest	38,855	-	38,855	46,626
Special assessments receivable		-	-	-
Fixed assets	4,532,008	9,751,178	14,283,186	13,988,646
Less accumulated depreciation & amortization	(1,647,498)	(3,560,892)	(5,208,390)	(4,949,339)
Construction in progress	480,555	42,235	522,790	231,698
TOTAL ASSETS	<u>\$ 3,913,065</u>	<u>\$ 6,555,046</u>	<u>\$ 10,468,111</u>	<u>\$ 10,228,089</u>
<u>LIABILITIES & FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$ 527	\$ 15,377	\$ 15,904	\$ 36,352
Customer deposits payable	4,000	-	4,000	2,450
Accrued salaries & wages	4,082	8,928	13,010	6,491
Due to other funds		48,900	48,900	-
Current maturities of long-term debt	112,409	72,800	185,209	198,409
Accrued interest payable	10,653	9,073	19,726	19,726
Revenue bonds payable - long-term	1,285,039	720,720	2,005,759	2,187,916
Total Liabilities	<u>1,416,710</u>	<u>875,798</u>	<u>2,292,508</u>	<u>2,451,344</u>
Fund Equity:				
Contributed capital	632,438	5,040,001	5,672,439	5,386,930
Retained earnings:				
Reserved for specific purpose	162,320	170,634	332,954	462,954
Unreserved	1,701,597	468,613	2,170,210	1,926,861
Total Fund Equity	<u>2,496,355</u>	<u>5,679,248</u>	<u>8,175,603</u>	<u>7,776,745</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 3,913,065</u>	<u>\$ 6,555,046</u>	<u>\$ 10,468,111</u>	<u>\$ 10,228,089</u>

VILLAGE OF CARO
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGE IN RETAINED EARNINGS
YEAR ENDED JUNE 30, 2004

			TOTALS	
			JUNE 30,	
	WATER	SEWAGE DISPOSAL	2004	2003
OPERATING REVENUE:				
Water & sewer system sales	\$ 676,537	\$ 624,721	\$ 1,301,258	\$ 1,422,140
Other services, charges & sales	16,610	64,227	80,837	59,766
Interest & penalties	4,169	-	4,169	4,423
Miscellaneous	2,056	8,080	10,136	11,384
TOTAL OPERATING REVENUE	699,372	697,028	1,396,400	1,497,713
OPERATING EXPENSES:				
Salaries & wages	133,236	186,004	319,240	298,975
Payroll taxes	10,168	13,663	23,831	22,615
Fringe benefits	36,249	43,787	80,036	83,955
Operating supplies	53,313	59,605	112,918	102,571
General fund administrative	10,000	-	10,000	10,000
Contracted services	23,563	91,998	115,561	209,267
Telephone	1,582	3,760	5,342	5,177
Insurance	12,905	24,590	37,495	30,716
Heat, light & power	59,499	76,305	135,804	122,677
Depreciation & amortization	128,195	204,719	332,914	322,511
Equipment rental	27,025	18,203	45,228	50,185
Other	9,155	100,200	109,355	17,797
TOTAL OPERATING EXPENSES	504,890	822,834	1,327,724	1,276,446
OPERATING INCOME (LOSS)	194,482	(125,806)	68,676	221,267
NON-OPERATING REVENUE (EXPENSES)				
Interest earned	164	72	236	365
Interest expense	(52,278)	(30,198)	(82,476)	(135,293)
TOTAL NON-OPERATING REVENUE (EXPENSES)	(52,114)	(30,126)	(82,240)	(134,928)
INCOME (LOSS) BEFORE OPERATING TRANSFERS IN (OUT)	142,368	(155,932)	(13,564)	86,339
OPERATING TRANSFERS IN	-	-	-	-
NET INCOME (LOSS)	142,368	(155,932)	(13,564)	86,339
ADD DEPRECIATION ON FIXED ASSET ACQUIRED BY GRANTS, ENTITLEMENT & SHARED REVENUES EXTERNALLY RESTRICTED FOR CAPITAL ACQUISITION & CONSTRUCTION THAT REDUCED CONTRIBUTED CAPITAL	-	126,913	126,913	128,473
RETAINED EARNINGS - JULY 1	1,721,549	668,266	2,389,815	2,175,003
RETAINED EARNINGS - JUNE 30	\$ 1,863,917	\$ 639,247	\$ 2,503,164	\$ 2,389,815

VILLAGE OF CARO
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

			TOTALS	
			JUNE 30,	
	WATER	SEWAGE DISPOSAL	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	\$ 142,368	\$ (29,019)	\$ 113,349	\$ 214,812
ADJUSTMENT TO RECONCILE NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:				
Depreciation and Amortization	128,195	204,719	332,914	322,511
CHANGE IN CURRENT ASSETS AND LIABILITIES:				
(Increase) decrease in accounts receivable	101,789	29,883	131,672	(135,030)
Increase (decrease) in accounts payable	(5,041)	(15,407)	(20,448)	15,453
Increase (decrease) in accrued expenses	907	5,612	6,519	(57)
Increase (decrease) in accrued interest payable		-	-	(11,925)
Increase (decrease) in customer deposits payable	1,550	-	1,550	550
Increase (decrease) in due to other funds	-	48,900	48,900	-
(Increase) decrease in special assessment receivable	-	-	-	2,139
(Increase) decrease in construction in progress	(248,857)	(42,235)	(291,092)	
(Increase) decrease in prepaid assets	7,771	-	7,771	7,771
NET CASH PROVIDED BY OPERATING ACTIVITIES	128,682	202,453	331,135	416,224
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	(281,416)	(124,562)	(405,978)	(409,643)
Contributed capital	399,176	(113,667)	285,509	(121,044)
Sale of equipment		30,000	30,000	-
(Increase) decrease in bond closing costs		7,575	7,575	(34,217)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	117,760	(200,654)	(82,894)	(564,904)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Loan proceeds	-	-	-	226,346
Principal payment of long-term debt	(104,357)	(91,000)	(195,357)	(96,893)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(104,357)	(91,000)	(195,357)	129,453
NET INCREASE IN CASH & CASH EQUIVALENTS	142,085	(89,201)	52,884	(19,227)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	255,100	339,832	594,932	614,159
CASH & CASH EQUIVALENTS AT END OF YEAR	\$ 397,185	\$ 250,631	\$ 647,816	\$ 594,932

VILLAGE OF CARO
GOVERNMENTAL COMPONENT UNITS
BALANCE SHEET
June 30, 2004

**DOWNTOWN
DEVELOPMENT AUTHORITY**

JUNE 30,	
2004	2003
\$ 220,302	\$ 225,910
-	4,505
\$ 220,302	\$ 230,415

ASSETS

Cash
Accounts receivable

TOTAL ASSETS

LIABILITIES & FUND EQUITY

Liabilities:

Accounts payable
Accrued salaries & wages
Deferred revenue

\$ -	\$ -
474	724
-	300
474	1,024

Total Liabilities

Fund Equity:

Fund Balance:
Undesignated

219,828	229,391
219,828	229,391

Total Fund Equity

TOTAL LIABILITIES & FUND EQUITY

\$ 220,302	\$ 230,415
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VILLAGE OF CARO
GOVERNMENTAL COMPONENT UNITS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE
YEAR ENDED JUNE 30, 2003

DOWNTOWN DEVELOPMENT AUTHORITY				
2004				
	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	JUNE 30, 2003
REVENUE:				
Taxes	\$ 172,080	\$ 172,081	\$ 1	\$ 145,503
Parking lots	23,600	23,600	-	-
CDBG Parking Lot	47,500	47,541	41	292,459
Miscellaneous	48,850	48,848	(2)	26,464
TOTAL REVENUE	292,030	292,070	40	464,426
EXPENDITURES:				
Parking Lot				
Materials	-	-	-	-
Contract Services	233,815	188,050	45,765	869,079
Miscellaneous	54,985	55,204	(219)	53,449
Capital outlay	-	-	-	3,866
Building demo	6,025	6,044	(19)	-
Future Projects	-	-	-	46,517
TOTAL EXPENDITURES	294,825	249,298	45,527	972,911
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(2,795)	42,772	45,567	(508,485)
OTHER FINANCING SOURCES (USES):				
Loan proceeds			-	-
Principal payments	(5,515)	(5,515)	-	
Operating transfers in	50,000	50,000	-	50,000
Operating transfers out	(96,820)	(96,820)	-	(64,463)
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	(55,130)	(9,563)	45,567	(522,948)
FUND BALANCE - JULY 1	229,391	229,391	-	752,339
FUND BALANCE - JUNE 30	\$ 174,261	\$ 219,828	\$ 45,567	\$ 229,391

VILLAGE OF CARO
GENERAL FUND
SCHEDULE OF REVENUE
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Current tax levy	\$ 900,625	\$ 902,877	\$ 2,252
Payments in lieu of taxes	7,551	6,501	(1,050)
Promotion tax levy	39,000	40,194	1,194
Delinquent tax - penalty & interest	500	688	188
Total Taxes	<u>947,676</u>	<u>950,260</u>	<u>2,584</u>
Licenses & permits	<u>6,000</u>	<u>5,240</u>	<u>(760)</u>
Intergovernmental Revenue:			
Federal	-	-	-
State of Michigan	452,000	482,804	30,804
Recreation grants & contributions	30,000	-	(30,000)
Total Intergovernmental Revenue	<u>482,000</u>	<u>482,804</u>	<u>804</u>
Charges For Services:			
Public works department - other services	500	1,433	933
Swimming pool & parks receipts	11,100	12,771	1,671
Rental of village property	196,000	200,569	4,569
Police receipts	3,900	3,725	(175)
Total Charges For Services	<u>211,500</u>	<u>218,498</u>	<u>6,998</u>
Fines & Forfeitures	<u>6,000</u>	<u>6,604</u>	<u>604</u>
Miscellaneous revenue:			
Interest income	5,725	5,728	3
Miscellaneous	15,000	13,197	(1,803)
Donations	61,839	3,065	(58,774)
Total Miscellaneous Revenue	<u>82,564</u>	<u>21,990</u>	<u>(60,574)</u>
TOTAL REVENUE	<u>1,735,740</u>	<u>1,685,396</u>	<u>(50,344)</u>
OTHER FINANCING SOURCES			
Loan proceeds	-	-	-
Sale of assets	-	-	-
Transfers in	51,088	25,544	(25,544)
TOTAL OTHER FINANCING SOURCES	<u>51,088</u>	<u>25,544</u>	<u>(25,544)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 1,786,828</u>	<u>\$ 1,710,940</u>	<u>\$ (75,888)</u>

VILLAGE OF CARO
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Legislative:			
Salaries - council	\$ 12,900	\$ 12,288	\$ 612
Supplies and equipment	1,000	878	122
Insurance	1,000	1,020	(20)
Education and training	1,500	1,168	332
Miscellaneous	600	935	(335)
Total Legislative	<u>17,000</u>	<u>16,289</u>	<u>711</u>
Executive:			
Salaries	31,900	32,341	(441)
Fringe benefits	23,520	23,296	224
Office supplies & expenses	6,000	5,109	891
Technology	1,000	1,854	(854)
Contracted services	31,000	30,168	832
Telephone	2,500	2,474	26
Publishing of legal notices	2,000	792	1,208
Insurance	3,200	3,264	(64)
Equipment leases & maintenance	50	-	50
Education & training	8,392	6,296	2,096
Capital outlay	600	-	600
Tuscola County Airport Authority	14,338	14,338	-
Miscellaneous	500	536	(36)
Total Executive	<u>125,000</u>	<u>120,468</u>	<u>4,532</u>
Elections			
Wages	1,100	1,100	-
Supplies	225	225	-
Printing	586	591	(5)
Miscellaneous	100	94	6
Total Elections	<u>2,011</u>	<u>2,010</u>	<u>1</u>
Clerk/Treasurer:			
Salaries	34,600	32,350	2,250
Fringe benefits	11,600	10,221	1,379
Office supplies & expense	2,500	1,603	897
Technology	1,000	797	203
Bonds & insurance	4,300	3,042	1,258
Contracted services	5,000	4,646	354
Printing and publication	2,000	1,015	985
Education and training	2,000	170	1,830
Miscellaneous	2,000	2,002	(2)
Total Treasurer	<u>65,000</u>	<u>55,846</u>	<u>9,154</u>

VILLAGE OF CARO
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES, (Continued):			
Industrial Park:			
Salaries & wages	\$ 1,800	\$ 2,424	\$ (624)
Fringe benefits	637	686	(49)
Contracted services	3,000	3,177	(177)
Insurance	4,232	4,325	(93)
Equipment rental	2,500	698	1,802
Michigan Ethanol	8,797	9,379	(582)
Supplies	2,000	2,425	(425)
Bond/loan interest payment	19,516	18,870	646
Total Industrial Park	<u>42,482</u>	<u>41,984</u>	<u>498</u>
Village Buildings & Grounds:			
Salaries & wages	24,123	23,924	199
Fringe benefits	5,950	6,497	(547)
Supplies	13,000	6,566	6,434
Contracted services	12,400	19,074	(6,674)
Insurance	10,527	10,630	(103)
Heat, light & power	50,000	54,052	(4,052)
Property taxes	3,000	-	3,000
Equipment rental	15,000	19,743	(4,743)
Capital outlay	81,000	51,582	29,418
Miscellaneous	3,000	2,091	909
Contributions - other funds	(40,000)	(40,000)	-
Total Village Buildings & Grounds	<u>178,000</u>	<u>154,159</u>	<u>23,841</u>
Historical Center:			
Salaries & wages	700	450	250
Fringe benefits	354	141	213
Supplies	500	621	(121)
Heat, light & power	5,025	4,579	446
Equipment rental	500	199	301
Insurance	804	822	(18)
Miscellaneous	4,867	4,682	185
Total Historical Center	<u>12,750</u>	<u>11,494</u>	<u>1,256</u>

VILLAGE OF CARO
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES, (Continued):			
Police Department:			
Salaries & wages	\$ 458,613	\$ 434,310	\$ 24,303
Fringe benefits	161,481	126,554	34,927
Operating supplies	23,800	22,766	1,034
Contracted services	6,500	4,271	2,229
Telephone	3,000	4,600	(1,600)
Insurance	11,224	11,400	(176)
Capital outlay	31,500	34,464	(2,964)
Repairs	6,000	7,649	(1,649)
Miscellaneous	16,200	17,781	(1,581)
Education & training	6,000	5,958	42
Total Police Department	<u>724,318</u>	<u>669,753</u>	<u>54,565</u>
Planning/Zoning			
Salaries and wages	20,150	19,414	736
Fringe Benefits	4,480	4,285	195
Contracted Services	27,300	31,294	(3,994)
Operating Supplies	1,320	983	337
Miscellaneous	1,865	1,959	(94)
Education & training	900	560	340
Printing & Publication	2,480	1,794	686
Total Planning and Zoning	<u>58,495</u>	<u>60,289</u>	<u>(1,794)</u>
Public Works Department:			
Salaries & wages	78,000	77,396	604
Fringe benefits	32,345	26,826	5,519
Tools & supplies	9,200	7,284	1,916
Contracted services	1,500	1,657	(157)
Street lighting	54,000	50,098	3,902
Insurance	6,500	6,624	(124)
Equipment rent	2,500	2,007	493
Education and training	500	118	382
Capital outlay	2,500	2,537	(37)
Miscellaneous	7,098	7,358	(260)
Total Public Works Department	<u>194,143</u>	<u>181,905</u>	<u>12,238</u>

VILLAGE OF CARO
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES, (Continued):			
Recreation Department:			
Salaries & wages	\$ 30,675	\$ 35,319	\$ (4,644)
Fringe benefits	4,363	8,966	(4,603)
Operating and maintenance supplies	5,500	6,054	(554)
Insurance	9,381	9,512	(131)
Telephone	250	906	(656)
Heat, light & power	6,500	8,020	(1,520)
Recreation programs	1,000	1,672	(672)
Contracted services	66,160	69,037	(2,877)
Equipment rent	29,200	28,230	970
Miscellaneous	950	1,311	(361)
Cass River Trailways project	500	490	10
Capital outlay	<u>2,500</u>	<u>3,068</u>	<u>(568)</u>
Total Recreation Department	<u>156,979</u>	<u>172,585</u>	<u>(15,606)</u>
Community Promotion:			
Salaries & wages	5,000	4,334	666
Fringe benefits	1,768	1,446	322
Supplies	1,800	1,565	235
Contracted services	2,125	1,091	1,034
Equipment rent	3,200	4,417	(1,217)
EDC annual	13,200	13,200	-
Miscellaneous	<u>3,165</u>	<u>2,059</u>	<u>1,106</u>
Total Community Promotion	<u>30,258</u>	<u>28,112</u>	<u>2,146</u>
Principal repayments	126,330	125,780	550
TOTAL EXPENDITURES	<u>1,732,766</u>	<u>1,640,674</u>	<u>92,092</u>
OTHER FINANCING USES			
Transfers out	<u>250,106</u>	<u>114,918</u>	<u>135,188</u>
TOTAL OTHER FINANCING USES:	<u>250,106</u>	<u>114,918</u>	<u>135,188</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 1,982,872</u>	<u>\$ 1,755,592</u>	<u>\$ 227,280</u>

VILLAGE OF CARO
WATER FUND
COMPARATIVE STATEMENTS OF REVENUE, EXPENSES
AND CHANGE IN RETAINED EARNINGS

	YEAR ENDED JUNE 30,	
	2004	2003
OPERATING REVENUE:		
Water system sales	\$ 676,537	\$ 638,755
Other services, charges & sales	16,610	12,190
Interest & penalties	4,169	4,423
Miscellaneous	2,056	10,884
TOTAL OPERATING REVENUE	699,372	666,252
OPERATING EXPENSES:		
Salaries & wages	133,236	148,334
Payroll taxes	10,168	11,121
Fringe benefits	36,249	41,888
Operating supplies	53,313	38,646
General fund administrative fee	10,000	10,000
Contracted services	23,563	19,557
Telephone	1,582	1,740
Insurance	12,905	9,646
Heat, light & power	59,499	49,854
Depreciation & amortization	128,195	121,485
Equipment rental	27,025	33,540
Other	9,155	9,251
TOTAL OPERATING EXPENSES	504,890	495,062
OPERATING INCOME (LOSS)	194,482	171,190
NON-OPERATING REVENUE (EXPENSES):		
Interest earned	164	261
Interest expense and fees	(52,278)	(55,344)
TOTAL NON-OPERATING REVENUE (EXPENSES)	(52,114)	(55,083)
NET INCOME	142,368	116,107
ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY GRANTS, ENTITLEMENTS & SHARED REVENUES EX- TERNALLY RESTRICTED FOR CAPITAL ACQUISITIONS & CONSTRUCTION THAT REDUCES CONTRIBUTED CAPITAL	-	-
RETAINED EARNINGS - JULY 1	1,721,549	1,605,442
RETAINED EARNINGS - JUNE 30	\$ 1,863,917	\$ 1,721,549

VILLAGE OF CARO
SEWAGE DISPOSAL FUND
COMPARATIVE STATEMENTS OF REVENUE, EXPENSES
AND CHANGE IN RETAINED EARNINGS

	YEAR ENDED JUNE 30,	
	2004	2003
OPERATING REVENUE:		
Sewer system sales	\$ 624,721	\$ 783,385
Other services, charges & sales	64,227	47,576
Miscellaneous	8,080	500
TOTAL OPERATING REVENUE	697,028	831,461
OPERATING EXPENSES:		
Salaries & wages	186,004	150,641
Payroll taxes	13,663	11,494
Fringe benefits	43,787	42,067
Operating supplies	59,605	63,925
Contracted services	91,998	189,710
Telephone	3,760	3,437
Insurance	24,590	21,070
Heat, light & power	76,305	72,823
Depreciation & amortization	204,719	201,026
Equipment rental	18,203	16,645
Other	100,200	8,546
TOTAL OPERATING EXPENSES	822,834	781,384
OPERATING INCOME (LOSS)	(125,806)	50,077
NON-OPERATING REVENUE (EXPENSES):		
Interest earned	72	104
Interest expense and fees	(30,198)	(79,949)
TOTAL NON-OPERATING REVENUE (EXPENSES)	(30,126)	(79,845)
NET INCOME (LOSS)	(155,932)	(29,768)
ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY GRANTS, ENTITLEMENTS & SHARED REVENUES EX- TERNALLY RESTRICTED FOR CAPITAL ACQUISITIONS & CONSTRUCTION THAT REDUCES CONTRIBUTED CAPITAL	126,913	128,473
RETAINED EARNINGS - JULY 1	668,266	569,561
RETAINED EARNINGS - JUNE 30	\$ 639,247	\$ 668,266

VILLAGE OF CARO
MAJOR STREET AND TRUNKLINE AND LOCAL STREET FUNDS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2004

	<u>MAJOR STREET & TRUNKLINE</u>	<u>LOCAL STREET</u>
EXPENDITURES:		
Construction - roads, streets & storm sewers:		
Contracted services	\$ 1,212,635	-
Total Construction - road, streets & storm sewers	<u>1,212,635</u>	<u>-</u>
Routine Maintenance - streets & storm sewers		
Labor	26,422	\$ 39,359
Benefits	8,203	11,776
Equipment rent	42,996	58,608
Materials	14,698	15,651
Contracted services	3,704	185,754
Miscellaneous	273	526
Total Routine Maintenance - streets & storm sewers	<u>96,296</u>	<u>311,674</u>
Trees & Shrubs:		
Labor	14	
Benefits	4	
Equipment rent	288	
Total Trees & Shrubs	<u>306</u>	<u>-</u>
Snow & Ice Control:		
Labor	3,418	
Benefits	1,690	
Equipment rent	6,566	
Total Snow & Ice Control	<u>11,674</u>	<u>-</u>
Sweeping & Flushing:		
Labor	3,156	-
Benefits	1,078	-
Equipment rent	13,615	-
Total Sweeping & Flushing	<u>17,849</u>	<u>-</u>

VILLAGE OF CARO
MAJOR STREET AND TRUNKLINE AND LOCAL STREET FUNDS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2004

	<u>MAJOR STREET & TRUNKLINE</u>	<u>LOCAL STREET</u>
EXPENDITURES, (Continued):		
Drainage, Signs & Signals:		
Labor	\$ 5,704	
Benefits	1,281	
Supplies	38	
Equipment rent	454	
Contracted Services	<u>3,447</u>	
Total Drainage, Signs & Signals	<u>10,924</u>	
Administration:		
General fund administration	29,020	\$ 28,875
Contracted services	1,150	1,100
Insurance	<u>3,175</u>	<u>3,060</u>
Total Administration	<u>33,345</u>	<u>33,035</u>
TOTAL EXPENDITURES	<u><u>\$ 1,383,029</u></u>	<u><u>\$ 344,709</u></u>

VILLAGE OF CARO
PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS</u>	<u>ACTUARIAL ACCRUED LIABILITY (AAL) - ENTRY AGE</u>	<u>UNFUNDED AAL (UAAL)</u>	<u>FUNDED RATIO</u>	<u>COVERED PAYROLL</u>	<u>UAAL AS A PERCENTAGE OF COVERED PAYROLL</u>
August 1, 2001	819,161	1,179,206	(360,045)	69.47%	384,407	93.66%
August 1, 2002	976,887	1,088,252	(111,365)	89.77%	347,650	32.03%
August 1, 2003	965,685	1,010,711	(45,026)	95.55%	152,963	29.44%